INTERIM REPORT

OF

THE ROYAL COMMISSION ON PENSIONS

Halifax, Nova Scotia

June 21, 1982

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Pursuant to the instructions contained in an Order in Council dated August 11, 1981 by which,

Charles Vaughan of Halifax, in the County of Halifax, Chairman,

Dr. Ellen McLean of Eureka, in the County of Pictou, Vice-Chairman,

J. Bruce MacDonald of Halifax, in the County of Halifax, Secretary,

William Marsh of New Waterford, in the County of Cape Breton,

Herbert Hart of Dartmouth, in the County of Halifax,

Mrs. Rose Chandler of Liverpool, in the County of Queens,

Stewart Vair of North Sydney, in the County of Cape Breton and

George Piercey of Halifax, in the County of Halifax,

were appointed to be Commissioners under the Public Inquiries Act to consider pension needs of Nova Scotians and to make recommendations on necessary or desirable changes in laws and regulations pertaining to pensions of Nova Scotians,

The Royal Commission on Pensions, so constituted, reports as follows:

The Commission is in the process of examining all relevant material and has consulted with many persons deemed to be thoroughly conversant with the issues.

Over seventy submissions from Associations, Corporations and Industries are being studied. The Commission has conducted public hearings in Halifax, Bridgewater, Kentville and Sydney - more are planned for the coming weeks.

The Commission presents this Interim Report in the belief that several issues in particular require immediate attention.

I. - CHILD CARE DROP-OUT - C.P.P.

The Canada and Quebec Pension Plans provide that in the calculating of average pensionable benefits, up to 15% of the contributory months with the lowest adjusted earnings may be eliminated.

The Quebec Pension Plan also provides that months, during which the contributor was receiving family allowances with respect to a child of less than 7 years of age, can be dropped out if this is to the advantage of the contributor. The Government of Canada has adopted amendments to the Canada Pension Plan which, when given Royal assent, will allow for the "child care drop-out" provision as requested in a number of submissions to the Nova Scotia Royal Commission on Pensions.

Royal assent was withheld pending agreement of the provinces. Ontario and British Columbia applied their right of veto and, consequently, no action could be taken. The Province of British Columbia has now lifted its objection to the amendment and a select committee of the Ontario Legislature has recommended approval of the revisions to the Canada Pension Plan.

Nova Scotia should re-affirm its support for these measures designed to take into consideration the years when a

contributor to the Canada Pension Plan drops out of the labour force to care for dependent children.

Your Commission recommends:

1. **That the Government of Nova Scotia again advise the Government of Canada of its approval of the amendments to the Canada Pension Plan which will allow for the deletion of years devoted to the care of dependent children in the calculation of pension benefits. (This has become popularly known as the "child rearing drop-out" provision).**

II. REVISION OF FEDERAL RRSP LEGISLATION

Many submissions to the Nova Scotia Royal Commission on Pensions have stressed the desirability of having a "locked-in" Registered Retirement Savings Plan. Many believe it to be a necessary part of the body of law relating to the accumulation of funds for retirement income.

Federal legislation now provides for Registered Retirement Savings Plans, but any funds so deposited may be withdrawn at

any time. Although the Commission reserves the right to make further comments at a later date, it recognizes that RRSP's are an important part of retirement income planning for many Nova Scotians. It has been demonstrated to the satisfaction of the Commission that there is a need for an amendment to the law to permit the establishment and management of immured or locked-in RRSP's. Such legislation would allow contributions to be tax deductible as at present and would provide for individual control over the investment of the funds on deposit.

The enactment of provisions for the creation of immured or locked-in RRSP's will provide a mechanism to improve the portability of pension benefits. Such legislation will be beneficial to private employers. Small business operators could use such a device to avoid the responsibility of maintaining a multiplicity of small pension accounts of former employees.

Workers will benefit because the pension contributions paid during short terms of employment may be deposited in the worker's immured or locked-in RRSP thus safe-guarding the pension benefits. Such accounts should be enriched in periods of high interest yields and will thus gain some measure of protection against erosion in value due to inflation.

The suggested amendment to the Federal law would provide an option for the preservation of funds for pension purposes and could encourage private pension plan sponsors to voluntarily compress the time required for the employer's contributions to be vested in the name of the employee.

Your Commission recommends:

2. **That the Government of Nova Scotia request the Government of Canada to amend the legislation with respect to Registered Retirement Savings Plans to permit the creation and maintenance of immured or locked-in RRSP's. Said legislation to be by way of an extension to the existing law respecting RRSP's."**